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Date: February 23, 2009  
Testimony of: John Simone, President & CEO  
To: Finance, Revenue and Bonding Committee  
Re: Raised Bill No. 933

Senator Daily, Representative Staples and members of the Finance Committee. I am John Simone, President & CEO of the Connecticut Main Street Center and I am here today to discuss the importance of allowing applicants to continue to take the two historic tax credits in the years 2009 and 2010. For those developers who have already been approved for historic tax credits prior to January 1, 2009, it is essential for them to be able to utilize the tax credits for their projects. Based on numerous studies, some of which I am about to share with you, it is clear that state historic tax credits have not only stimulated an incredible increase in the number of historic rehabilitation projects undertaken, but also these credits are essential to making these types of projects economically viable. Not allowing developers to utilize their credits in a timely fashion would be financially devastating. While the second mixed-use historic tax credit is only now beginning the application process, by setting the precedent of creating uncertainty as to when these credits are available, it will at best severely hamper a highly effective economic stimulus tool and at worst, discourage any new tax credit applications.

We cannot reduce our structural deficit by stifling economic growth. While we are just beginning to utilize historic tax credits here in Connecticut and have not had time to develop a body of work and economic impact study to fully understand the positive economic benefits of historic tax credits, other states have conducted these studies and the return on investment is dramatic. These studies clearly demonstrate that historic preservation creates jobs, brings vacant buildings back on the tax rolls and adds value and vitality to adjacent buildings and neighborhoods. Here is how the state historic tax credits have impacted Rhode Island and Missouri:

**Rhode Island** (excerpts from a report by Lipman, Frizzell & Mitchell LLC):

- The historic tax credit program is the single best economic development and neighborhood revitalization tool that Rhode Island has seen in decades. Since its adoption in 2002, no other economic development tool has resulted in more investment in as many individual communities as the historic tax credit program.
- The tax credits leveraged significant federal investment. During the five years preceding enactment of the state historic tax credit program, Rhode Island attracted less than \$10 million in federal historic tax credit investment. For the five year period since enactment, more than \$78 million in federal historic tax credit have been awarded – a 700% increase.
- The tax credits have generated \$5.47 in economic output for every dollar of tax credit issued and has attracted \$1.6 billion of total investment statewide.
- The tax credits help revive economically disadvantaged neighborhoods throughout the state, 83% of the investment in tax credit projects occurred in neighborhoods with a median household income below the statewide average.
- The majority of the projects involve housing and 25% of the units produced are low income housing units.

- These tax credits cannot be taken until the projects are complete and have been certified to have been restored within the Secretary of Interior's standards for historic rehabilitation. 20% of the State's tax credit expense has already been offset before it is incurred, through construction period taxes collected.
- These tax credits provide significant positive impact to the local municipalities where the projects occur, thereby relieving somewhat the pressure on the state to provide funding to local municipalities. The local assessable tax bases increased by \$242 million dollars
- The state's \$145 million investment in tax credits is recouped from four sources: construction period taxes, real property taxes, and post construction sales and income taxes.
- This tax credit program is improving the environment as well. 65% of the total investment in these tax credit projects is resulting in Brownfield clean-up and redevelopment. It is also addressing safety issues by transforming vacant fire hazards into dynamic and attractive residencies and commercial uses.
- Since the start of the program in 2002, the tax credit projects have created 17,725 construction jobs and are projected to create 7,200 permanent jobs

**Missouri** (excerpts from a 2002 report by Rutgers University):

- In the first three years alone, \$74 million in tax credits leveraged \$295 million in private investment.
- These credits produced \$283 million in gross state revenue creating 6,871 jobs

Leaders of St. Louis's downtown revitalization efforts directly attribute the creation of the state historic tax credit to the success of their work. Since 1999, 96 historic buildings have been rehabilitated with the availability of the state historic tax credits. In total there has been \$4.7 billion of rehabilitated buildings and new construction in downtown creating 4,000 housing units and 5,000 downtown residents. 75% of these residents are between 18 and 49 years old – representing many of the young professionals that Connecticut is losing at a faster rate than any state.

Historic preservation is also the ultimate form of recycling. The greenest building is most often a historic building that already exists - when one factors in the embedded energy in our historic buildings – the energy it took to make the materials and build the building with the cost of demolition and filling up land fills and the energy efficient nature of historic buildings, it is clear that our historic buildings may be our most renewable resource.

Historic tax credits are economic stimulus at its best. They are a critical component for Connecticut to remain economically competitive in this global economy while maintaining the high quality of life we will need to keep and attract a vibrant workforce. Rehabilitating historic buildings, especially with the necessary mix of uses that are the cornerstone of downtown revitalization, is one of the hardest real estate jobs there is. It is only more challenging in the current credit environment. Please allow these two historic tax credit programs to continue without any interruption.

I would like to be back before you in a few years with the economic impact results of our historic tax credit programs. I am completely confident that the work of Connecticut Yankees will demonstrate that our economic impact numbers are right at the top of the charts.